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MARKETING & MEDIA
DECISIONS

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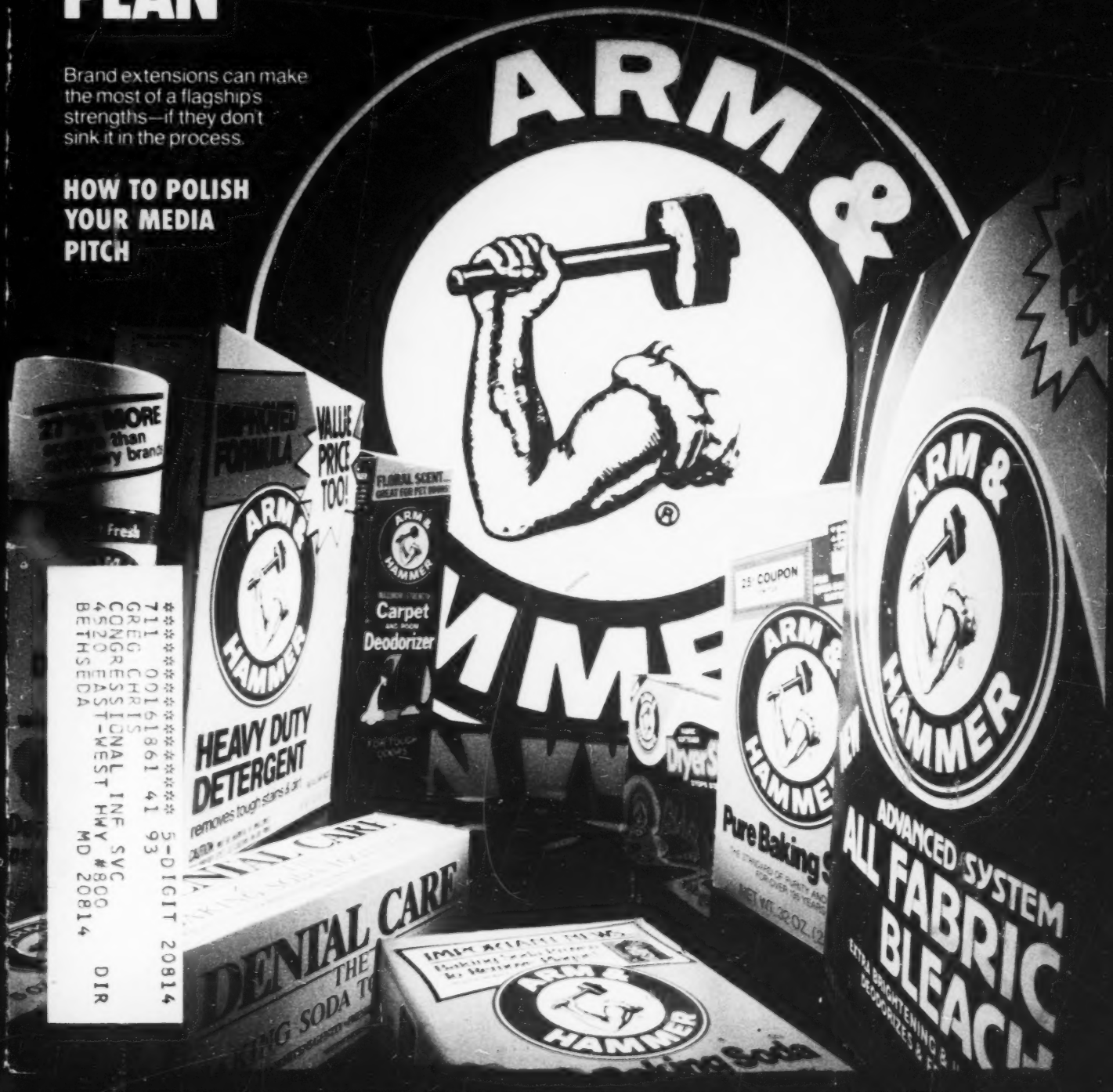
THE BIG-BRAND PLAN

Brand extensions can make the most of a flagship's strengths—if they don't sink it in the process.

HOW TO POLISH YOUR MEDIA PITCH



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MARKETING & MEDIA DECISIONS

COVER STORY

THE BIG-BRAND PLAN 22

They used to be considered a cheap shot. Today brand extensions are *still* considered a cheap shot, but no longer in the pejorative sense. Such major marketers as Procter & Gamble, Campbell, Sunkist and Arm & Hammer are pushing their established products in new directions.

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MARKETING & MEDIA DECISIONS (ISSN0195-4296) January 1987, Vol. 22, No. 1 Copyright © 1987. Decisions Publications Inc. Published monthly. Executive, editorial, circulation and advertising offices at 1140 Ave. of Americas, New York, N.Y. 10036 (212) 391-2155. Available without charge to those personally involved in media decisions at major agencies and advertiser companies. For others, subscription prices are: U.S.A. $45 for 12 issues. Canada $60. Overseas $70 (surface mail). Airmail — add $70. Single copy $4.00. All overseas copies are paid. Second-class postage paid at New York, New York, and additional mailing offices. Postmaster: Send address changes to Marketing & Media Decisions, 1140 Avenue of Americas, New York, N.Y. 10036.

PLAYERS HEDGE THEIR BETS

Barter syndicators are scrambling to cover their positions.

by Marianne Paskowski

Syndicators are doing their best to put on a happy face when discussing the programs bowing at the Association of Independent Television Stations (INTV) meeting in Los Angeles and the National Association of Television Program Executives (NATPE) confab in New Orleans this month. But it's not easy.

They rave about all the quality, first-run sitcoms or innovative programing ideas such as home shopping syndicated strips or daytime comedy hours now available. They cite the growing clout of the vertically integrated entertainment companies — Lorimar-Telepictures, Fox Broadcasting, Tribune Broadcasting, Viacom, Group W Broadcasting and MCA. These are companies, they point out, which can produce and distribute programs on their own stations or in partnership with other powerhouses so they can assure airtime. And salesmen that they are, the syndicators say they are sure relief from the desultory national ad scene is just around the corner.

GRAPHIC ILLUSTRATION BY JENNY ADAMS

But beneath the bravado, many syndicators are worried indeed about the broadcast economy. The bottom has already fallen out of the very crowded kids barter market. In terms of ratings, kids syndicated programing, on average, is running nearly 40% behind last year's Nielsens.

"This is a very dangerous game we're in right now," acknowledges Dan Cosgrove, Group W Production's vice president of media sales, and this year's president of ASTA, the tv syndicators' association. Group W, a major producer in kids programing, has hits including *She-Ra Princess of Power* and *He-Man and the Masters of the Universe*.

"The upfront commitment for a kids show is astronomical — 65 hours at $250,000 a half-hour," Cosgrove continues. "We might not see enough return on our money. There may not be enough ad dollars for us to recoup," he frets. "This is an area that will be very volatile over the next couple of years," he predicts.

***LBS's* New American Bandstand, *Group W's* Salem's Children.**

Daytime hardly looks better. In that segment, a host of talk/variety and reality-based shows will vie for limited slots (see programing story, pg. 46). "I'm just amazed that anyone would even attempt to launch *any* product in daytime," says Clark Morehouse, vice president for media at Tribune Entertainment. "The upfront market last year for daytime was abysmal, and scatter is not picking up at all. It may take five years to get back to 1985 prices," Morehouse believes.

Even syndicators with first-run sitcoms are squeamish about the upcoming marketplace. This is despite the fact that many sitcoms sold last season are doing well in weekend access, i.e., *It's A Living*, *Mama's Family* and *Small Wonder*. But this go-round, at least 40 new first-run sitcoms will all attempt to find homes. Stations hope the surplus will help make programing prices more attractive because sitcoms, which are expensive to produce — $350,000 on average per half-hour episode — carry high license fees.

The economy itself and its impact on television ad revenues is another worry for syndicators. Agency buyers and Wall Street analysts pretty much expect demand for national tv time to remain soft, even though network and barter scatter markets have been heating up in the fourth quarter.

"While you are seeing some improvement in scatter, the year will be down," predicts Dennis McAlpine, broadcast analyst at Oppenheimer & Co. Concurs Richard Kostyra, J. Walter Thompson/USA's executive vice president and media director, "There are little blips, but the market is basically flat. And there are absolutely no signs that would lead me to believe that there will be a dramatic increase in ad revenues for 1987."

The decline in demand for national ad time, plus the glut of first-run fare, has caused some syndicators to shift gears. Lorimar-Telepictures, for example, which already owns six stations in small- to mid-sized markets and is a disciple of the vertical integration concept, has nonetheless backed down from purchasing the six Storer tv stations. L-T chairman Merv Adelson cited a weak advertising marketplace as a reason for the canceled deal.

Another major player, Tribune Entertainment, has already decided to sit this round out on the first-run kids programing front. "We are reluctant to get involved in this area for next year," acknowledges Tribune Entertainment's Morehouse. The company currently sells the barter time in *Smurfs* and *G.I. Joe*., and may handle Claster's *Jem* if it goes to strip.

Fearing that the weak advertising marketplace will prevail, other syndicators like LBS Communications and Television Programing Enterprises are hedging their bets and looking at the economics of the cash end of the syndication business.

The trend by syndicators to move away from barter has left some agency buyers wondering just how much barter time will be available next season. "Syndicators in a soft advertising market are going to look to generate more of their revenues back from cash, offering more cash, or cash-plus-barter deals," says Gary Carr, senior vice president, director of network operations for SSC&B. "And that could tighten up some of the barter inventory," Carr worries.

But at Bristol-Myers, Pete Spengler, vice president of advertising services, is not convinced that the barter inventory will tighten up. "While the NBC O&O's have set the stage for cash/barter deals, I'm not so sure that there are enough stations out there willing to pay cash for programing," Spengler believes.

Karl Kuechenmeister, executive vice president of media at Lorimar-Telepictures, also envisions that more barter inventory will be available for next season. "In kids and late night, there will be just as much or more inventory, but less barter in early fringe and daytime," he advises.

In addition to a net increase in the number of barter units for sale next season, Kuechenmeister is also looking for higher CPM's. "The networks will be looking for price increases next year and will get them," he predicts. "And that means we will follow suit."

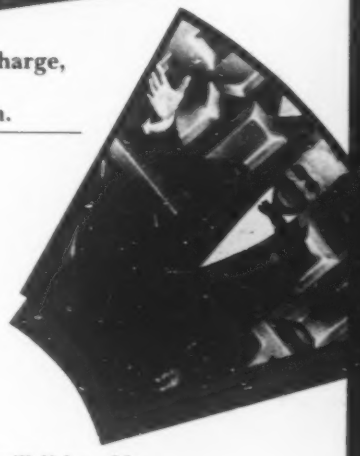
At press time, buyers were trying to gauge supply and demand for barter time next year. This is difficult since most of next season's programs will not begin the clearance process for the fall 1987-88 season until NATPE.

While there was plenty of talk last fall about the early deals syndicators would strike to build a base before INTV and NATPE, few deals were actually made. The NBC O&O's did secure five, first-run sitcoms in cash/barter deals to complete their prime time access checkerboard. Two of those new sitcoms, both from MCA TV, *Out of This World* and *Bustin' Loose*, have already cleared 80% and 60% of the country, respectively. And Viacom's off-network hit, *Cosby* (which carries a minute of barter), was pulling in record-breaking prices in Chicago, New York and San Francisco.

Wearing his ASTA hat and capping off 1986 in syndication, Group W's Cosgrove predicts that the year will fall slightly under his $600 million revenue projection, "especially if the scatter market does not materialize as much as we think it will," he adds.

In general, Cosgrove thinks syndication will grow, but at a slower pace. "A smart advertiser," he says, "realizes that the biggest contributor to keeping a lid on network inflation is syndication. Advertisers," Cosgrove concludes, "ought to kiss the ground we walk on just because we exist." ■

Charles In Charge, Gidget, Strike It Rich.



Top Five Barter Advertisers/ Jan.-Sept. 1986	Estimated Expenditures	Spots
Procter & Gamble	$40,152,350	1,603
Philip Morris	$27,251,950	1,416
RJR Nabisco	$15,944,550	939
Mars	$11,836,200	888
Kellogg	$11,718,900	1,041

Source: PKA analysis of Broadcast Advertiser Reports data.

BRAND REPORT

No. 139: Cruise Lines

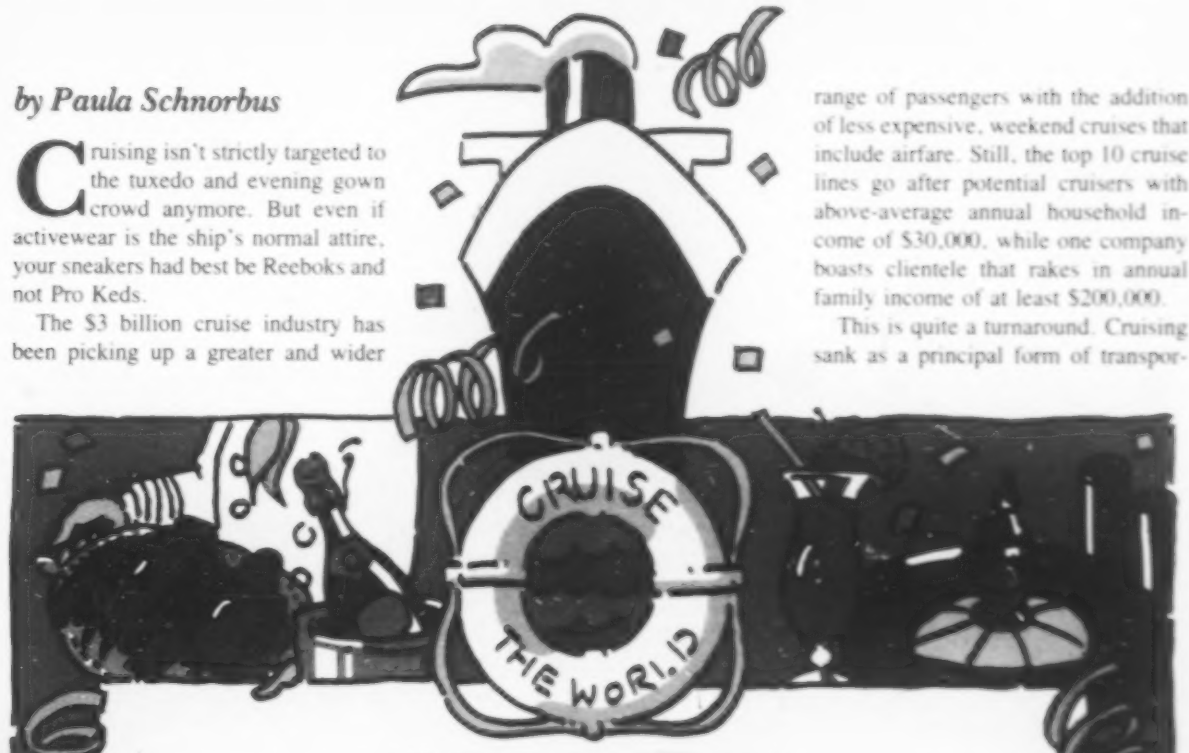
LINER NOTES

by Paula Schnorbus

Cruising isn't strictly targeted to the tuxedo and evening gown crowd anymore. But even if activewear is the ship's normal attire, your sneakers had best be Reeboks and not Pro Keds.

The $3 billion cruise industry has been picking up a greater and wider range of passengers with the addition of less expensive, weekend cruises that include airfare. Still, the top 10 cruise lines go after potential cruisers with above-average annual household income of $30,000, while one company boasts clientele that rakes in annual family income of at least $200,000.

This is quite a turnaround. Cruising sank as a principal form of transpor-



Media Expenditures 1985 (000)

	Media Total	Magazines	Sunday Magazines	Newspapers*	Network Television	Spot Television	Outdoor	Spot Radio**
American Hawaii	5,717.3	2,473.7	651.9	1,977.4	–	36.2	434.1	144.0
Carnival	18,044.1	25.1	–	8,429.1	9,089.0	929.8	1.1	–
Cunard	8,791.4	–	–	8,791.4	–	–	–	–
Holland America	4,583.7	811.2	53.3	3,788.4	–	17.1	146.7	–
Norwegian Caribbean	10,023.0	264.6	20.4	7,043.4	2,352.9	330.2	–	12.5
Princess	8,426.3	–	–	8,197.7	–	–	–	228.6
Royal Caribbean	9,574.1	2,964.9	18.2	6,591.0	–	–	–	–
Royal Viking	7,301.1	2,254.1	79.7	4,889.1	–	47.1	–	97.1
Sitmar	5,795.5	578.0	61.4	5,158.1	–	–	–	–

*Sources: BAR/LNA Multi-Media Service, 1985 (LNA figures weren't available for Cunard and Princess cruise lines.); *Media Records/National Brand Expenditures, 1985; **Radio Expenditure Reports, 1985.*

Note: Expenditures for 1985 weren't available for Admiral Cruises Inc. since it was formed last year by these three principals: Eastern Cruise Lines, Western Cruise Lines and Sundance Cruises.

tation after airplanes took over transatlantic service in the 1950's. The [illegible] slack and by the 1970's, the cruise industry was growing at an annual rate of 20%, which recently has slowed to 10%, according to Ken Grant, cruise editor of *Travel Agent* magazine.

"Possibly, when demand was very good, [the cruise lines] ran into a situation where everyone was filling up their ships," explains Grant. "Then they raised prices. Nobody turned off. They were slow to readjust prices and fast to build new ships."

That produced the cruising indus-

Ever Since You Were A Kid, You've Wanted To Take A Cruise.

Cruise lines position themselves as a dream come true.

try's quirky debate of overcapacity versus underdemand. An onslaught of ships have been hitting the water and not enough berths are being filled. Critics call it overcapacity, but cruise advocates call it underdemand.

A.K. Lanterman, chairman of Cruise Lines International Association, maintained that overcapacity is necessary in the cruise industry.

"When demand is strong, many ships are ordered at the same time," said Lanterman, who is also president of Holland America Line-Westours Inc. "But oversupply is good because when the supply is there, the industry spends more money on promotion, which inevitably broadens markets."

Whether overcapacity or underdemand, the result is most cruise lines hold rate increases and use competitive discount programs to attract vacationers. On the trade side, commissions and other incentives are offered to the all-important travel agents as a way to [illegible] Travel agents do 90% to 100% of the cruise companies' bookings.

Only 3% to 5% of the U.S. population has ever taken a cruise. Although the cruise vacationer's average age is getting younger, Daniel A. Nesbett, chairman of the New York chapter of the Travel & Tourism Research Association, says, "The seniors' market is the best overall market for cruise lines. Even though people in their 50's or 60's may not have a huge income, their disposable income tends to be higher. They've paid off their houses and gotten their kids through college."

One of the biggest problems facing the cruise industry is getting vacationers to take that initial cruise. Once they've done it, the repeat factor is high, says Robert Dickinson, Carnival Cruise Lines Inc.'s senior vice president, marketing and sales.

"Our job is kind of like telling a hermit about sex," quips Dickinson. "He won't know what you're talking about at first, but once he tries it, he's going to like it."

The most popular cruise spot is the Caribbean, with Alaska in second place, according to Grant. Alaska gained popularity after ships were rerouted from the Mediterranean because of the terrorist scare in the Middle East. This year some cruise lines have rescheduled Mediterranean cruises, citing rebounding tourist interest.

But overall, the trend is toward shorter cruises, stresses Nesbett. "People [illegible] childless couple in their 30's who are both working don't have time to take a two-week cruise. Fifty percent of women work, most full time. The long-weekend cruises have come on line to accommodate that kind of market."

Newspapers are the communicator of choice for cruise marketers, but "print can be one-dimensional," says William Smith, Sitmar Cruises senior vice president, marketing and sales. With television, "you can show action and what takes place aboard the ships," he explains.

Media Records puts the 1985 national ad investment figure at $91.9 million for newspapers. The industry, according to Leading National Advertisers, spent another $36.8 million in LNA's seven measured media in 1985, though that figure is very conservative. For the first half of 1986, LNA reports media expenditures were $22.9 million for the cruise industry. Six-month figures weren't available from Media Records.

The following marketing profiles are for the 10 largest cruise lines according to number of bed nights for 1987, or the number of beds multiplied by the projected number of nights in operation, as calculated by Cruise Lines International Association.

CARNIVAL

Almost anyone who has ever seen a morning or evening news show has caught Kathie Lee Gifford crooning, "In the morning, in the evening, ain't we got fun?"

Carnival Cruise Lines Inc., which touts theirs as the "fun" ships, is finishing its twelfth year with 100% occupancy. It also has the highest double-occupancy passenger capacity and will reach 8,800 in March with the launch of a new ship.

Carnival's media budget alone will be more than $20 million this year. More than $10 million of that will be invested in network tv advertising, where 30-second spots are used, except during an *ABC News Brief* when a 15-second spot is plugged in.

"The average age [of a cruiser] used to be deceased" is a favorite line of Robert Dickinson, Carnival's senior

vice president, sales and marketing. Hence, Carnival will keep Gifford in its ads this year because she is "perky, vivacious and fun," which is effective for Carnival's aim of bringing that average down.

"We're marketing to a younger clientele than the cruise industry," says Dickinson. About 30% of Carnival's passengers are under 35; 30% are over 55, and the balance is in the middle. Carnival operates in the Caribbean and around western Mexico.

Carnival also runs ads in newspapers in about 200 markets, using Sunday travel sections primarily in the U.S. and Canada. Fewer magazines are used, such as *Cruise Travel*, *Travel-Holiday* or the cruise section of *Modern Bride*. "We have done some *Sunset* or *Southern Living*, but it takes a real effort to get noticed. They're pretty thick publications," observes Dickinson.

Consumer discounts are pretty much limited to a "Super 'C' Saver," which slices $200 off the price of a cabin, according to Joy Cardieu, marketing coordinator. Carnival uses the promotion once or twice a year during slow periods if a ship "isn't booked as rapidly as we'd like." Referring to other cruise lines, Cardieu comments that Carnival doesn't "inflate rates and then come back with a $300 rebate."

Some lines are hoping for a younger cruiser and are adjusting their marketing accordingly.

Travel agents take care of 99% of Carnival's bookings. Dickinson says cruises are occasionally given away as incentive to travel agents, depending on the ships' space availability.

Carnival also has a contest called "mystery vacation" for travel agents. A Carnival scout anonymously visits a travel agent and inquires about vacations. If the agent's first suggestion is a cruise, he is awarded $10 on the spot. If the agent suggests a Carnival cruise, he wins $1,000.

"It allows us to see how travel agents sell or don't sell. It's as much of an industry program as a Carnival program," explains Dickinson.

NORWEGIAN

Norwegian Caribbean Lines' recent introduction of a new president, Rod McLeod, includes an introduction of a new advertising campaign beginning in March.

McKinney, Silver & Rockett of Raleigh, N.C., which previously was with Royal Caribbean, followed McLeod from his spot there as senior vice president, sales and marketing, to his new top post at Norwegian. Former agency Beber Silverstein & Partners in Miami had coined Norwegian's last slogan, "We're going to spoil you."

Ric Widmer, senior vice president, marketing and sales at Norwegian,

On which side of the bay is your bread buttered?

Photo location courtesy Arthur Rutenberg Homes

The Tampa Tribune serves appetizing demographics daily and Sunday. Your advertising profits from the Tribune's elegant presentation of the basic ingredients of sophisticated selling.

The Tampa Bay market — Florida's number one market in terms of population, households and effective buying income serves you prospects on a silver platter.

The Tampa Tribune's readership represents a gourmet palate to the astute media buyer, offering more 25-54 year old readers, more readers in top level occupations, more households with children, more new car buyers, home computer owners and more households with $50,000+ annual incomes than any daily newspaper in the market.

The upper crust of the Tampa Bay market reads The Tampa Tribune. Without it, your media strategy is only half-baked.

For a wealth of detailed market information, contact Joe Gess, Tampa Tribune General Advertising Manager, at (813) 272-7447, or contact your nearest Sawyer-Ferguson-Walker office.

THE TAMPA TRIBUNE

A Media General Newspaper
Member of the Gannett 4-Color Network

notes the new strategy of the $15 million media budget, not including production costs, will include more network television, which will account for 60% of the cruise line's advertising. Norwegian will buy 15- and 30-second spots. He wouldn't elaborate on their placement in television schedules.

Magazines will account for 30% of Norwegian's advertising. More mass audience magazines such as *People*, *Travel & Leisure*, *Time* and *Newsweek* will be used.

Only 10% of Norwegian's advertising will be in newspapers, which previously had handled the main thrust. In its newspaper buys in the top 20 markets, Norwegian doesn't limit itself to the travel sections on Sunday, but also goes for the first section. Widmer points out that "newspapers' own research" has concluded that 45% to 90% of readers never get into travel sections.

Norwegian's target audience is anywhere from 35 to 49 years old with an annual household income of more than $35,000. These cruisers have had at least some college, are married, but don't have any children.

Cunard pairs the Concorde with its cruise packages.

A new ship this year will bring total double-occupancy passenger capacity to about 6,300 from 4,664. With cruise prices holding steady, special discounts will be cut out entirely in 1987. Norwegian previously did a mail drop to several million households, offering dollars-off coupons and saving cruisers anywhere from $200 to $250.

Travel agents, who book 100% of Norwegian's trips, are offered familiarization cruises and seminars at sea on a space-available basis. They also may be offered a "walk-through for the weekend." Agents may eat on board a docked ship but stay in a local hotel.

CUNARD

Cunard, perhaps best known for its Queen Elizabeth II luxury liner, not suprisingly has a "very affluent target audience." Household income ranges from $40,000 to $200,000 a year.

Cunard is "so targeted that tv is not an appropriate medium," explains Ronald Santangelo, vice president, marketing communications. Because cruise prices have been flat, Cunard's advertising budget of more than $12 million enjoyed only a "nominal" increase this year.

Ads appear in the travel sections of Sunday newspapers in only the top 15 markets since the bulk of Cunard's business comes from New York, California and Florida.

Ads also appear in upscale magazines such as *Gourmet*, *Vogue*, *Town & Country*, *Travel & Leisure*, *Smithsonian* and *Architectural Digest*.

Cunard's seven ships with double-occupancy passenger capacity of 4,940 sail all around the world, in addition to its transatlantic cruises. Cunard continued its trips through the Mediterranean last year despite a dropoff in American tourists. In the past, those cruises had been 70% American and 30% European. Last year, the ratio was 55% American and 45% European after Cunard beefed up its advertising 30% in Europe.

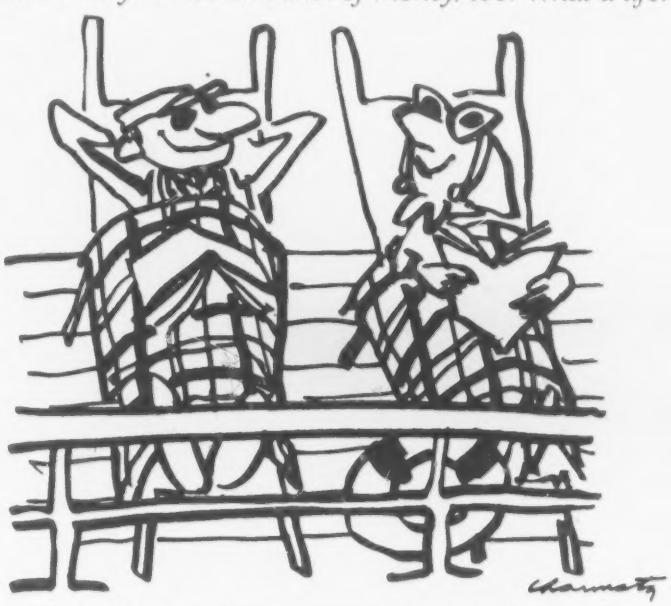
Direct-mail marketing also is used. Cruisers can get discounts for selected dates, or even half price for one cruise if two are booked simultaneously.

Travel agents account for 96% of Cunard's bookings. For the sale of a few cabins on Cunard's less luxurious vessels, a travel agent can earn a compact disc player. If an agent sells five cabins, he or she wins a large-screen color television.

ROYAL CARIBBEAN

Royal Caribbean Cruise Line is increasing its media budget 30% in 1987

Time on my hands and a lot of money, too. What a life!



1 in 5 readers have taken 2 or more trips abroad in the last 3 years, and 13% have taken a cruise during that period.

50 plus

850 THIRD AVE. • NEW YORK, NY 10022 • (212) 715-2781

with the introduction of the "largest cruise ship in the world," Sovereign of the Seas, which boasts a 2,276 double-occupancy passenger capacity.

The Miami cruise line's working media budget will be $13 million to $14 million, according to Mike Petty, director of marketing.

Petty calls the introduction of the new ship Royal Caribbean's "biggest challenge." He added that the ship won't be tested by herself. As with Royal Caribbean's four other ships, which have a 4,220 double-occupancy passenger capacity, the cruise line will try to attract first-time cruisers from 35 to 54 years old with household incomes of more than $40,000 annually.

Special promotions don't sail with Royal Caribbean. "Royal Caribbean is unique in the cruise industry in that we do our best not to price promote," states Petty, who reasons that passengers get "more for the money [they] are paying."

Consumer advertising is confined solely to Sunday travel sections of daily newspapers and special travel inserts that appear in the papers during summer and winter. The inserts are available in about 25 local markets.

Sitmar will launch a television ad effort this year with image-building as its aim.

Overall, the marketing target is "international," says Petty. "Ten years ago, 60% to 70% of our business came out of the top 20 markets. Now those markets account for 40% of [Royal Caribbean's] business."

Royal Caribbean recently adopted Chiat/Day as its advertising agency following the jump of Rod McLeod, the cruise line's former senior vice president, sales and marketing, to his new post of president and chief operating officer of Norwegian Caribbean Lines. With him went the line's previous agency, Kinney, Silver & Rockett of Raleigh, N.C.

SITMAR

Sitmar started in 1939 as a transport ship moving immigrants between Southampton, England, and Sydney, Australia. But it's been a North American cruise line for 15 years now, and its Australian cruising clientele now accounts for only a quarter of its business.

The cruise line adopted Campbell-Ewald Co. as its ad agency last May, and this year marks Sitmar's initial voyage into television advertising. William Smith, senior vice president, marketing and sales at the Los Angeles-based cruise line, explains that television advertising will be used to communicate an image. "You can visually depict the setting you're trying to create," Smith says. "Radio or print ads are more effective at driving a price." The markets for what will probably be 30-second television spots weren't determined.

With the advent of electronic advertising at Sitmar, its 1987 advertising budget is up about 115% to $15 million, Smith reveals. Broadcast ads will take up about 15%, trade magazines 35% and consumer magazines and newspapers the remaining 50%.

Smith further adds that the tv spots will be aimed at image building, emphasizing "that Sitmar is a quality product for the experienced cruiser. Our past advertising was a lot less targeted and specific. We feel it's very important to position ourselves to the consumer and trade," he explains.

The retail message, with more pricing and details, will appear in newspapers, primarily Sunday travel sections and cruise sections of about 70 papers in the top 26 markets. Sitmar also will advertise in consumer magazines such as *Smithsonian*, *National Geographic* and *Travel & Leisure*.

Youth fever has not caught on with Sitmar. The average age of a North American Sitmar cruiser is 54 with a target household income of $35,000 a year. The line is going after "retired, older couples, middle-aged working couples, or more mature singles in their 50's," Smith points out. "The reason

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REACH FOR THE REVIEW.

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In The Caribbean, The Magic Number Is Three.
Holland America Line: Three Ships, Three Itineraries, Three Times The Experience.

This three-page foldout exhibits Holland America's Carribbean accent.

is cruises are longer, so we need to get to that segment with more disposable time or leisure to take a longer cruise." The bulk of Sitmar cruises go to the Caribbean, Alaska and Mexico.

North American cruisers will be offered a super-saver program with discounts on selected sailings. Sitmar also will offer advance-purchase discounts and group rates.

Travel agents book almost 100% of Sitmar's cruises in North America. Sitmar advertises in several trade publications, including *Travel Weekly*, *Travel Age West*, *Travel Age East*, *Travel Agent*, *Travel Trade* and *Tours & Travel News*. Sitmar offers travel agents familiarization trips, reduced rates and incentive programs.

Sitmar also offers a "partnership" program for smaller travel agencies, whereby they can win bonus commission dollars and cooperative dollars that go into an account from which they may draw funds for promotional and advertising needs.

PRINCESS

Advertising for Princess Cruises is going to play off our memories of the popular *Love Boat* television series by reeling in Gavin McLeod, who played the ship's captain.

"We feel he is just perfect as our spokesperson," says Michael Hannan, senior vice president, marketing services. McLeod will be featured in all consumer and trade advertisements.

The cruise line is reviving the Mediterranean trips it canceled last year because of poor sales and, so far this year, "bookings are encouraging," says Hannan. Princess's five ships, which travel around the world, have about a 3,800-passenger capacity based on double occupancy.

Princess considers its product "upscale," with most of its clientele over 35 with annual household income of $40,000 plus. "Our cruises tend to appeal to that group and older," Hannan notes, adding that two-week jaunts attract cruisers age 50 and older.

Consumers can save hundreds of dollars in advance bookings. "These discounts are very successful. They help us tremendously in planning and in advertising," says Hannan. "We have a better picture earlier of the popularity of various departures."

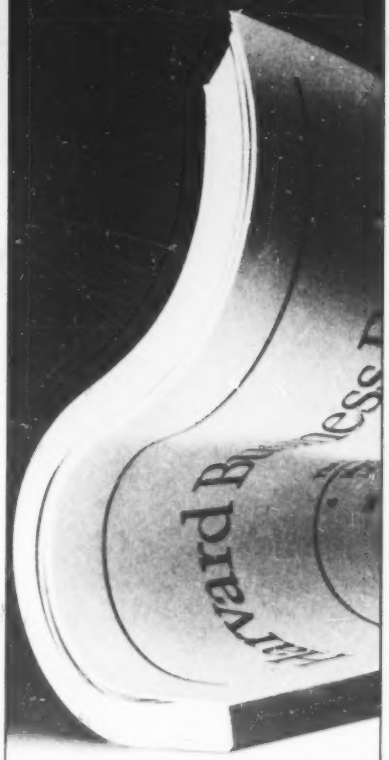
This year's advertising budget is $10 million, up from last year's $7 million. Annual revenues were more than $250 million last year, according to Hannan.

Like its competitors, the company advertises in travel sections of Sunday newspapers in larger market areas such as Los Angeles, Chicago, New York, Detroit, Dallas, San Francisco, Phoenix and Seattle. Since half of Princess's business comes from the western U.S., it invests half of its advertising budget there.

The cruise line runs ads in regional lifestyle magazines such as *Sunset*, *Southern Living*, *Los Angeles* and *The New Yorker*. It also buys ads in *National Geographic*, *Gourmet*, *Signature*, *Architectural Digest* and several consumer travel magazines, including *Travel & Leisure*, *Travel-Holiday* and *Cruise Travel*.

While Princess places four-color unit ads in travel industry magazines such as *Travel Weekly*, *Travel Agent* and *Travel Age*, it doesn't dangle free cruises in front of travel agents to generate sales even though they book all

COMMAND POST.



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of Princess's business.

"We don't do any real promotional stuff with the trade," outlines Hannan. "We prefer to work with travel agents by helping them with sending out brochures, doing presentations and cooperative advertising on a local market basis."

Princess hasn't done any spot market television advertising recently because "a lot of the information can't be condensed into a 30-second commercial," Hannan says. He noted that although television commercials could get complicated because of the cruise line's eclectic destinations, Princess is considering testing the medium again.

HOLLAND AMERICA

Holland America Line-Westours Inc. had its start 114 years ago carting immigrants from Europe to the U.S. Today, it concentrates on Caribbean and Alaskan leisure cruises.

Traditionally, Holland America's berths have been filled by cruisers age 45 and older, says Rich Skinner, corporate director of public relations and sales promotion. "There has been a trend toward skewing into a younger group in the last few years, especially in the Caribbean," he acknowledges. "Even Alaska seems to have a downward trend." Holland America goes for a "balanced" advertising product, says Skinner. "We haven't segmented like other cruises," adds Jan Edmonson, vice president, management supervisor, of Elgin Syferd, the company's advertising agency. "We don't think we can because demand is so small."

Holland America had $270 million in revenues in 1985. Skinner won't reveal the total advertising budget except to say the company spends "several million dollars." He adds that marketing, advertising and public relations expenses grow 20% yearly.

Holland America advertises mainly in Sunday travel sections of daily newspapers in 15 markets on the East and West Coasts. The West Coast provides about 60% of the cruise line's business, according to Edmonson. Print advertising is used because cruises are considered a "complex product" that require study, explains Skinner.

Edmonson details, for example, that Alaskan cruises are pitched to a "bit older" crowd in "upscale, consumer magazines," such as *Smithsonian, Travel & Leisure, National Geographic, Gourmet* and *Modern Maturity*.

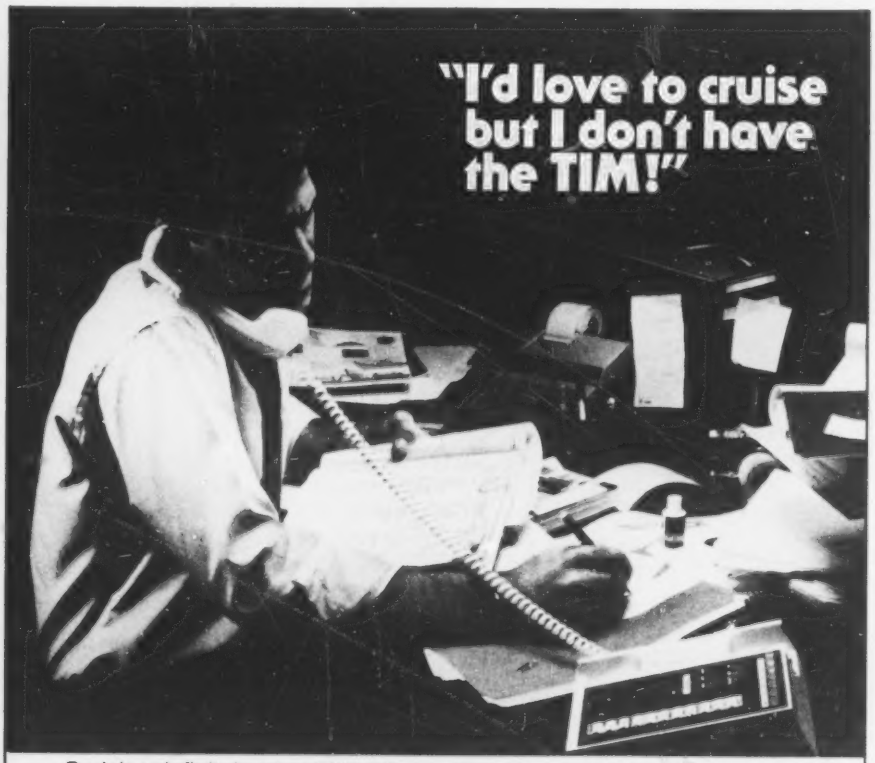
Holland America's "alumni" are the target of a direct mail program that includes newsletters and special discounts. And, if a cruise isn't filled near the departure date, a discount rate is advertised in select secondary markets via local newspapers.

Travel agents generate about 99% of Holland America's sales. The company creates incentive for travel agents by giving away cruises through lottery sweepstakes and various contests and trivia puzzles.

ADMIRAL

A cruise usually conjures up a picture of couples on romantic getaways. At Admiral, "housewives alone chaperon each other and have a ball," says Robert R. Mahmarian, senior vice president, sales and marketing.

Mahmarian said Admiral uses a



Cruising definitely takes TIM—Time, Inclination and Money. Something Travel-Holiday's 2.1 million affluent readers definitely have! **Time:** in the past three years, 55% went abroad; a third took one or more cruises. **Inclination:** each year we receive nearly one million reader requests for more information, 75% of which lead to actual purchases. **Money:** with kids out of college and mortgages paid, our readers have an average annual income of $41,700. To reach these readers with the TIM to cruise, contact Ruth Halpert, Adv. Dir., Travel-Holiday, Travel Building, Floral Park, NY 11001. (516) 352-9700.

Time, Inclination and Money. Our readers have it.

*Source: Erdos & Morgan, 1985

TRAVEL-HOLIDAY

GOT A COMET BY THE TAIL
Where to Tame

"shotgun approach" with consumers. "We're beginning to talk of the value of cruising as a vacation alternative to anything else," he says.

Admiral, which has three ships with double-occupancy passenger capacity of 2,504, is a combination of Eastern Cruise Lines and Western Cruise Lines and the recently acquired Sundance Cruises. The merger didn't affect the advertising agencies used by Eastern and Western, which will continue with Ryder & Schild Inc., and Sundance, which still uses Ehrig & Associates.

Admiral's passenger age ranges from 37 to 55 for its cruises, which hit the Caribbean, Mexico and Alaska. Average household income of cruisers is $30,000 to $35,000 a year.

spect more. A 30-second commercial can get you interested, but can't sell you a cruise."

Incentive programs for travel agents, who book 100% of Admiral's cruises, include some override commissions for large revenue producers, in addition to the usual 10% commission given throughout the country and the 15% commission in Florida. Admiral also shares ad costs with agencies through co-op advertising.

ROYAL VIKING

Royal Viking, which targets 50-year-olds who make more than $50,000 a year, reports that 50% of its cruisers sail with the line a second time.

Half of Royal Viking's passengers return to the line for a second sail.

Mahmarian explains that housewives and families are attracted to the cruise line because the third or fourth passenger sometimes gets a free ride as a special promotion.

Admiral's 1987 advertising budget is $11 million, according to Mahmarian. In the past, all ads were in newsprint. Next year, about 70% of the ads will appear in newspapers in about 82 markets. "We won't give up the travel section of Sunday newspapers," Mahmarian insists. The other 30% will be used for Admiral's entry into magazine and television advertising. Examples of Admiral's magazine selection include *McCall's*, *Southern Living* and *Sunset*.

In addition, Mahmarian notes, "About 60% of cruises are being decided by the man and not the woman, so a newspaper like *USA Today* is a good opportunity to advertise because it has that kind of mixed reader."

Television spot commercials are used as a "veneer, an overlay over other advertising," he adds. "When you're buying a cruise you need to in-

The "exclusive" luxury carrier almost splits its magazine and newspaper advertising 50-50, but 5% of its budget goes to cable television's Arts & Entertainment Network. "It's done rather well for us," says John B. Richards, vice president, marketing and planning, referring to the cable advertising. "It's the most targeted electronic media available to us. We just can't use broadcast media as effectively."

Richards noted that the cruise line's passengers usually have incomes of about $100,000. The target is someone who is an experienced cruiser and has taken an international vacation in the last three years.

Royal Viking's three ships, each of which hold 710 passengers double occupancy, travel to destinations around the world, including the path Leif Ericsson followed when he traveled to New Foundland almost 1,000 years ago, and a tour of Pacific battlegrounds of World War II.

Royal Viking's print schedule includes a variety of travel, literary and special interest magazines such as

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Travel & Leisure, Travel-Holiday, Signature, Harper's, The New Yorker, The Atlantic, Food & Wine, Gourmet, Bon Appetit, Architectural Digest, Better Homes and Gardens, Sunset, Golfer's Digest and theater publications such as *Opera News*.

The 15-year-old cruise line usually runs ads only in the travel sections of some 35 to 40 Sunday newspapers in the top 20 markets. Newspapers include the *New York Times, Los Angeles Times, San Francisco Chronicle* and *Christian Science Monitor*.

Royal Viking's media budget and its direct marketing budget are $6 million each. The direct marketing campaign goes to past Royal Viking cruisers who get tips on discounts and special interest programs.

Travel agents book 98% of Royal Viking's trips. The cruise line offers the agents familiarization trips at an "attractive rate," says Richards. Commission rates vary by program and type of cruise. Large volume producers get override or special commission rates as an incentive system.

AMERICAN HAWAII

American Hawaii Cruises pitches its trips to the 35-and-older crowd with an annual household income of $30,000, according to Bob Monfrini, an account executive with keye/donna/pearlstein, the cruise line's advertising agency.

Although the cruise line is in the midst of planning its 1987 advertising campaign, due out in March, Monfrini said the bulk of ads will appear in newspapers, with magazines in second place. It isn't yet known if television will be used.

American Hawaii uses newspapers in 25 markets nationwide for its Hawaiian cruises. The emphasis is on West Coast newspapers for the Tahitian cruises, Monfrini said.

Trade books such as *Travel Age West, Travel Weekly* and *Travel Agent* will be used this year. American Hawaii also will run ads in *Sunset, Travel & Leisure, Signature* and *Islands*, Monfrini said.

In 1987, cruisers can score discounts by booking six months in advance and earn a free stay in a hotel before or after a cruise to get an extended stay in the islands, according to Monfrini.

The advertising budget wasn't available, but Monfrini said that Leading National Advertisers' total of $224,100 for January to June 1986 was a low estimate, while Radio Expenditure Reports shows $48,780 spent in spot radio for the six-month period. Media Records shows $2.0 million in newspapers for 1985. ■

Big numbers.
Tampa Bay is home to the biggest numbers in Florida. 1985 figures show that the St. Petersburg-Tampa-Clearwater metro area is #1 in the state in population, households, effective buying income, food and supermarket sales, eating and drinking place sales, car registrations and registered pleasure boats. If you want numbers that really add up, invest in the biggest and best newspaper in Tampa Bay, the St. Petersburg Times. Tampa Bay's most popular paper leads its closest competitor by nearly 60,000 copies daily and more than 68,000 on Sunday!* So start thinking big. Big numbers, big audience, big profits. Call your St. Petersburg Times representative today!
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THE ECONOMIC OUTLOOK: LOOK OUT!

THE CLOUDS

Overall U.S. economic growth should continue next year, but at a slow and uneven pace. As in 1985 and 1986, the economy should be led once again by the consumer sector (two-thirds of the economy) and by continued strength in the financial markets; capital goods industries and nonresidential construction are expected to lag. With few strong inflationary pressures likely, interest rates are widely expected to remain generally stable. Ironically, already weakened regions (such as the Southwest and Great Plains) may begin to halt their slide or even rebound next year, while today's relatively faster-growth regions (particularly New England and California) will likely lose some forward momentum.

For sure, even the sluggish economic growth expected next year is by no means assured. Unless the trade deficit closes significantly, many import-sensitive industries (such as textiles and apparel, consumer electronics and capital goods) will continue to face powerful competitive price pressures and erosion of domestic market shares. Another year of weak (or even negative) profitability in these industries could put many companies at risk and will jeopardize jobs throughout the goods-producing sector. These losses, in turn, would spill over inevitably into many of the service industries that have provided the bulk of new job creation since 1982.

Persistent large trade deficits would also strain congressional efforts to reduce the federal budget deficit. By curtailing domestic income growth, the disparity between imports and exports cuts into the government's tax base and precipitates serious revenue shortfalls that enlarge the budget deficit. If this occurs in 1987, federal spending cuts mandated under the Gramm-Rudman-Hollings Deficit Reduction Act would be invoked and the economy would lose a powerful engine of economic growth.

ILAN RUBIN

Ultimately, the most critical policy strategies next year may emanate from the Federal Reserve. Most economists expect the Fed to continue to pump up the money supply and push down interest rates indefinitely in order to sustain economic growth and reduce the exchange value of the dollar (which would make imports more expensive and U.S. exports cheaper abroad). Yet this policy stance is not riskless. Lower domestic interest rates and stronger total spending could increase consumers' appetites not only for U.S. goods, but for imports as well. They would also raise U.S. inflation rates and make it more difficult for the government to finance its debt. Under these conditions, the Fed could find itself forced to *tighten* monetary policy and to put *upward* pressure on interest rates, perhaps by mid-1987. Such a stance would strain many interest rate-sensitive industries (such as housing, cars and thrift institutions) and make additional economic growth very hard to come by.

Steven R. Malin is regional economist for the Economic Policy Research unit of The Conference Board, Inc.

OUR READERS TELL US . . .

With the forecast looking rather grey, Research USA, Chicago, polled a sampling of our readers to see how such thinking was affecting ad plans.

1. How do you think the economy will change over the next six months?

It will greatly improve	—
It will somewhat improve	29.4%
It will stay the same	31.2
It will somewhat weaken	38.5
It will greatly weaken	.9
	100.0%

Base: 109

2. What do think will happen to the following during the first half of 1987.

	Interest Rates	Consumer Spending	Inflation
Will rise	34.9%	28.4%	38.5%
Will stay the same	38.5	45.0	61.5
Will fall	26.6	26.6	—
	100.0%	100.0%	100.0%

Base: 109

3. Has your organization specifically revised its advertising budgets for the first half of 1987 because of economic uncertainty?

Yes	41.3%
No	58.7
	100.0%

Base: 109

If "Yes":

a. How much have your ad budgets changed overall for the first half of 1987?

They're up 1% to 9%	33.3%
They're up 10% to 19%	11.1
They're up 20% or more	8.9
They're down 1% to 9%	26.7
They're down 10% to 19%	17.8
They're down 20% or more	2.2
	100.0%
Total "up"	53.3%
Total "down"	46.7%

Base: 45

POLL

THE STORM

Fundamental long-term changes combined with short-run developments will propel the economy into a sharp downturn in the next 18 months. The advertising marketplace will also be buffeted by the confluence of both long- and short-run changes and it too will suffer a decline.

Over the past several years, the U.S. economy has become far more competitive as a result of deregulation, foreign competition and technological advances. The traditional corporate structure was created when only a few firms controlled an industry. The corporation was never designed to deal with true market competition. Much corporate activity lately has been focused on mergers and acquisitions, a fundamentally misguided strategy since smaller entities are better suited for a competitive environment. In the meantime, virtually all the new jobs and new production have occurred in the large number of new, smaller companies that have emerged in the last few years. By the next century, the traditional U.S. corporation will have given way to numerous smaller companies that can serve their market niches more efficiently.

In the short run, the loss in market share of the large companies is creating intense pressure for trade restrictions or tariff protection. Trade restrictions always lead to disaster. They create inflation. They choke off growth in productive and expanding industries in a vain attempt to protect stagnating industries. They curtail exports (the U.S. is the leading exporter) as foreign countries suffer a loss in trade income or retaliate with their own trade restrictions. They curtail the influx of productive foreign capital. And they have *always* resulted in an economic decline, the Great Depression being only the most dramatic example.

Budget deficits are also viewed as the great economic bugaboo because they supposedly fuel inflation and raise interest rates. The fact that interest rates and inflation have steadily fallen does not appear to have affected this view. It is true, however, that higher taxes deflate the economy. In any case, it appears that the pressure for higher taxes and some form of trade protection appears so great that something is likely to be enacted in the next year. Either one would be sufficient to derail the economy.

The timing could not be worse. The economic expansion that began in 1983 is getting long in the tooth and is losing momentum. The new tax reform, which in the long run will be beneficial, will in the short run encourage consumers to reduce their debt, which means reduce their spending. At the same time, the corporate turmoil is creating job insecurity that is usually reflected in a spending cutback as well. Thus, too many things are likely to go wrong in the next year which leads to the prediction of a sharp downturn sometime in the next 18 months. Real growth, on average, will be zero or negative.

David Wilkofsky is chairman of Wilkofsky Gruen Associates Inc., a business analysis and planning consultancy.

b. What changes were made for each of the following media?

	Consumer Magazines	Business/ Trade Publications	Newspapers
Up	40.6%	48.8%	30.3%
No change	29.7	32.6	45.5
Down	29.7	18.6	24.2
Ave. % up	7.5%	15.5%	10.3%
Ave. % down	13.0	10.3	13.2
Base*	(37)	(43)	(33)

* Based on those answering question

	Television	Cable	Radio
Up	55.0%	25.0%	64.7%
No change	17.5	65.6	35.3
Down	27.5	9.4	—
	100.0%	100.0%	100.0%
Ave. % up	8.8%	8.0%	9.1%
Ave. % down	22.8	*	—
Base	(40)	(32)	(34)

* Insufficient responses

	Outdoor	Sales Promotion	Direct Marketing
Up	25.8%	34.4%	64.3%
No change	54.8	43.7	21.4
Down	19.4	21.9	14.3
	100.0%	100.0%	100.0%
Ave. % up	9.2%	11.3%	18.2%
Ave. % down	27.5	19.3	6.0
Base	(31)	(32)	(28)

4. Have there been cutbacks in your own organization over the past few months?

Yes	47.7%
No	52.3
	100.0%

Base: 109

If "Yes," in which of the following areas were cutbacks made? (Check all that apply)

Budget cuts	59.6%
Top management cuts	21.1
Mid-management cuts	46.2
Staff cuts	80.8

Base: 52

SALES PROMOTION

by Russ Bowman

WHAT'S "IN-STORE" FOR 1987

As the Point-of-Purchase Advertising Institute (POPAI) posted their 50th Anniversary, exhibitors and members attending their "Marketplace 86" at Expo Center in Chicago had plenty to celebrate. According to the association's survey of spending, P-O-P business volume for the first part of 1986 is up 22% over 1985.

What's more, results of their pilot study on supermarket shopping show 80.7% of all brand purchase decisions are made in-store (at the "point-of-purchase"). This represents a dramatic increase from the 64.8% in-store decision rate recorded in the first landmark POPAI/DuPont study in 1977.

POPAI defines purchase decisions in four categories:

1) Specifically Planned: shopping with a specific item and/or brand in mind.

2) Generally Planned: shopping with a category in mind, but not a specific brand.

3) Substitutions: switching brand decisions after entering the store.

4) Unplanned Purchases: impulse-purchased items not considered prior to entering the store.

The fourth category, impulse purchasing, according to the new POPAI study, now represents over 60% of all buying decisions (up from 47% in their 1977 study).

"This fact alone places an incredible emphasis on the importance of marketers having an in-store presence due to the tremendous impact of merchandising in influencing sales," notes Albert Saia, chairman of the board of POPAI and president of Thomas A. Schultz Co.

In some categories the in-store purchase decision rate is even more dramatic. According to POPAI news, "90% of cookie shoppers pick their brand while still in the aisles." Other high in-store purchase decision categories included canned soup at 79%, candy and gum at 81% and both coffee and soft drinks at 67%.

PROGRESSIVE GROCER

In-store like this is hard to miss.

POPAI's study shows that 80.7% of all purchase decisions are made in the store.

ActNow gives out coupon booklets.

What's new in P-O-P: The annual POPAI trade show "Marketplace" exhibited the usual fare of displays with dramatic lighting, action and special effects. The POPAI study is certain to increase interest in in-store video terminals, especially those with interactive touchscreens that invite greater shopper involvement. One such company, ByVideo, offers two units that can be modified for various retailing needs. Its "InfoPort" and "Uniport" both feature laser videodisc players, infrared touchscreens and 16-color computer-generated graphics. Their "Uniport" model also includes a credit card reader and receipt printer which allows customers to order from the terminal.

Perhaps these "retail theaters," expensive as they are, will represent a more logical future for in-store technology than the attempts over the past five years to establish in-store coupon dispensing terminals. Most of these fell by the wayside (see "Sales Promotion," January 1986).

Catalina Marketing's "Coupon Solution" survived the coupon terminal fallout thanks to a unique twist. Their system is the first to employ checkout scanners which track purchases and print out coupons for Catalina's clients that either compete with the purchases or relate to them (a coupon for a baby powder to those who purchase disposable diapers, for instance). The Coupon Solution, which is now operating in Los Angeles and Chicago, has recently added Baltimore-Washington (Giant Food) and Dallas (Tom Thumb) to their list and expects to be in 700 stores by the end of 1987.

Meanwhile not all that's in-store for the future of P-O-P is designed to dazzle the eye. Interest in the music that plays above shoppers heads has been renewed with new tape broadcast and possibly even satellite systems that in-

P-O-P's success may put it back in the mainstream of companies' marketing budget plans.

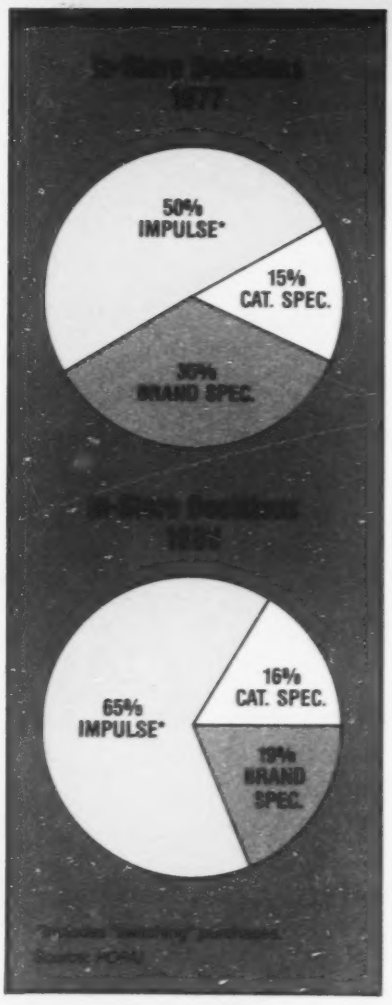
New technologies mean new opportunities to get attention.

clude radio commercials for manufacturers products and retail features. One such system, POP Radio, kicked off their idea in chain drug stores and now is installed in over 4,000 drug units, including Eckerds, Brooks, Peoples, Thrift and others. POP Radio features customized, pre-recorded DJ-hosted programs that sound like "live" radio.

Like its visual counterpart, ActMedia, POP Radio offers advertisers *guaranteed* in-store advertising at very efficient rates. For example, a typical one-month, 30-second schedule on POP Radio delivers a CPM of 35¢, or about 2.9¢ per announcement.

Person-to-person in-store: In last January's article on in-store activity, demos and in-store couponing were identified as key growth areas in the promotion business. *Progressive Grocer*'s recent special report, "Merchandising in Action," confirms this trend and cites Vons Grocery, with 180 California supermarkets, for conducting 21,000 in-store demonstrations over a 12-month period. Ralph's (another mammoth West Coast chain) has "experienced sales increases of +400% from in-store sampling." One liqueur brand that normally sold about 100 bottles per store moved 1,800 bottles during the week of the sampling.

However, the co-operative in-store coupon hand-out programs have not been that successful for some companies. Both the Stratmar Company and Donnelley Marketing (Contact) have dropped their co-op planned national in-store plans. ActMedia, on the other hand, is more bullish on their "ActNow" national co-op that reaches approximately 12 million shoppers. They have scheduled six ActNow programs for 1987, one more than 1986. Their November 1986 co-op handed out booklets with $3.85 worth of coupons from Nabisco, Johnson & Johnson, Quaker Oats, Procter & Gamble, Sara Lee and others.



Once upon a time, many brands and companies had a separate column in the yearly budget for P-O-P advertising. Some still do. But, with the implications gleaned from POPAI's newest survey and the trend to guaranteed "implimentations," P-O-P advertising may well be back in more marketing budgets through the end of the 1980's, and beyond.

TOOLS OF THE TRADE

by Wallis E. Wood

CHRIS REED

WHAT A DIFFERENCE A PAGE MAKES

In his heart of hearts, the typical top executive at an industrial company does not believe that business-to-business advertising works. Oh, he'll run an ad here and an ad there, even a six-page schedule when he has a major push, but he doesn't believe the way the typical consumer goods company executive believes that advertising makes sales.

The Advertising Research Foundation/Association of Business Publishers study of the relationship between business-to-business advertising and sales may change that.

"Results of the study demonstrate that business-to-business advertising in vertical trade publications can have a substantial positive effect on sales," says Michael J. Naples, president of the ARF.

Naples, in reporting the findings for two of four products studied at an ARF conference this fall, said, "In both instances, sales levels increased as the number of advertising pages was increased, and in general the rate of sales increase — three- and even four-fold in some instances — was consistent with the rate of increase in ad pages."

The study, a joint effort of the ARF and the ABP, was originally conceived in 1983 and fielded in 1984 after an industrywide fund-raising effort that brought in $390,000 from 47 publishers, agencies, manufacturers and research companies. Sponsoring organizations contributed $6,000; the four advertisers with a participating product contributed $30,000 each. Participating publishers contributed incremental advertising space (beyond that of the advertiser's "normal" schedule) at half the regular cost.

The ARF and ABP agreed going in that they would publish the results whether or not a link between advertising and sales was established. The ARF was entirely responsible for the study's design and implementation; the ABP promoted industry support. A 10-person management control group created for the purpose monitored the project from the beginning. Only this group, plus the president and research director of the ARF and its research company (International Communications Research of Media, Pa.), know the identities of the four products studied and the publications in which they were advertised.

The study had three objectives: to measure the effect of business-to-business advertising on the sales of a variety of products; to identify the role of the intervening variables; and to evaluate varying media weight and ad frequency schedules.

The first chore was choosing the products. Since the advertising campaign was set for a one-year period, the researchers had to select products for which observable change would be possible within a year. They gave priority to products in the growth stage of their life cycle. "The more room there is for growth in market share or total sales, the easier it should be to observe and measure that growth," says Naples. "In addition, it was important that prior attitudes and opinions about a product not unduly confound the experiment." They therefore gave priority to new entries, products not previously advertised and post-recession entries into advertising markets.

They had to find products that manufacturers advertise in vertical trade publications that have computerized circulation lists and with virtually all circulation controlled. Finally, they had to select products for which "clean" sales data were available — sales numbers both accurate and as free as possible from influences outside the experiment. "We did not want the participants to upset the test by introducing another new product with the same name or carrying out some blockbuster advertising during the one-year period," says Naples.

Ultimately, 15 companies offered 18 different products, filling out an elab-

TOOLS OF THE TRADE

orate questionnaire on each. The four products the ARF chose were:

- A disposable safety product. It sells for under $10, but is usually bought in lots. It has a large number of potential buyers, and the time between an initial purchase consideration and the actual sale is relatively short. While this is not a new product for the manufacturer, the company is trying to reach a new market with it.
- A commercial transportation package that costs around $10,000, has a large number of potential buyers and a moderately complex purchase process (because it has a long life span and is a major expenditure). The various components all exist, but they have never been packaged together before. Also, dealers sell this product to end-users throughout the country, which means that the manufacturer can advertise to the dealers, to the end-users, or both. The study used both dealer and end-user magazines.
- A construction material.
- Highly specialized laboratory equipment.

While the ads for these last two products have run, ICR is still collecting the sales data. Results will not be available until mid-year.

Each product was advertised for a year in appropriate vertical publication(s), with the circulation lists divided into light, medium and heavy advertising cells.

The Profit/Advertising Relationship

Disposable safety product

Level of Advertising	Index Cumulative Profit after 16 Months
None	100
Six black/white only	268
Six black/white, one color	360
Six black/white, four color	444
Six black/white, 11 color	510

Commercial transportation component package

Level of Advertising End-user	Dealer	Indexed Cumulative Profit after 11 months
None	None	100
Low	Medium	114
Medium	Low	116
Medium	Medium	156
High	Medium	184
Medium	High	239
High	High	242

Source: Advertising Research Foundation

The light cell consisted of "normal" advertising schedules, which, of course, varied by product. The medium cell consisted of approximately twice the number of ad pages as the light cell, while the heavy cell consisted of approximately four times the number of pages as the light cell.

With the disposable safety product, not only was the pattern of sales response clearly tied to advertising levels and timing, but both sales and profits (based on advertising cost-effectiveness) were maximized at the highest advertising level (see table).

With the commercial transportation component package, the study actually measured nine cells (low, medium and high for both dealer and end-user publications). Naples reports that between June and December 1985 — the seven months after the first ad started to have an effect — sales in the "high/high" cell were 3.5 times those in the "low/low" cell. And while the profit indexes are not those of the safety product, they show the same positive relationship.

William O'Donnell, the ABP's executive director, hopes that the study's findings, which include attitude and product awareness and reader service and 800-number inquiry data, as well as sales results, will change some industrial company executives' attitudes. "Seeing the results that are possible with a doubling or quadrupling of existing page levels should be a real eye-opener for advertisers," he says.

INDEX TO ADVERTISERS — January 1987

ABC Radio	75	Beach News/Sun Sentinal	68	Omni	19
A. C. Nielsen	38	Good Housekeeping	16	Orange County Register	79
AAA TourBooks	61	Harvard Business Review	67, 69, 71	Parade	29
Arbitron Ratings	60	Hearst Woman Power	26-27	St. Petersburg Times & Independent	72
Association of Business Publishers	32-33	Lifetime Cable	85	San Francisco Newspapers	54
Bell Atlantic Yellow Pages	50	Magazine Publishers Association	Cover 4	Smithsonian	24
Better Homes and Gardens	81	Marketing & Media Education	55	Sports Illustrated	15
Booth Newspapers	53	Midwest Living	Cover 2-Pg. 1	TV Guide	5
CBN Cable Network	57	Modern Maturity	13	Tampa Tribune	65
Columbus Dispatch	52	Money	44-45	Travel & Leisure	Cover 3
Cosmopolitan	7	Motorland	12	Travel Holiday	70
Discover	20-21	Nation's Business	35	Traveler	37
50 Plus	66	Newspaper Advertising Bureau	62	US	10-11
Ft. Lauderdale/South Palm		NYPSA	87	Woman's World	9

THE LAST WORD

by John L. Stanton, Ph.D.

HEALTH CLAIMS IN SMALL DOSES

The controversy concerning the over-use of health and nutrition claims in food advertising continues to hold the attention of most food marketers.

Now, after years of dialogue, the FDA is expected to revise its policy on diet, health and food advertising. While the dialogue goes on, however, food companies have continued to advertise their products and, to various degrees, have made health and nutrition claims.

To assess the state of such claims, research has been conducted, under my supervision, by the Academy of Food Marketing at St. Joseph's University, with the support of Campbell Soup Company.

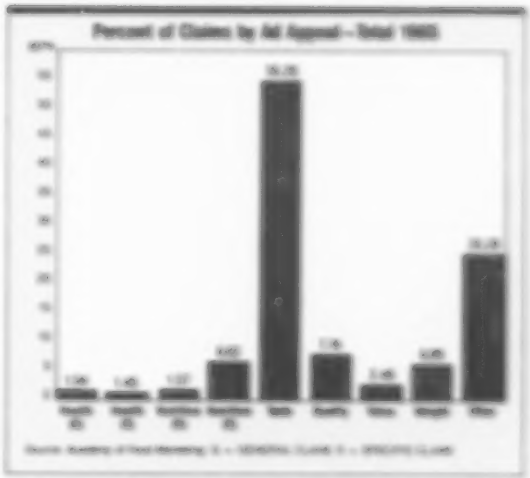
The results, based on advertising claims examined during the year 1985, proved that health concerns have thus far had little effect on the way the food industry has advertised.

Stanton sees no strong trend.

The Academy of Food Marketing began tracking changes in the mix of advertising claims in print media in 1985, with special attention given to health and nutrition claims. Print ads were tracked to show the variety of appeals made.

The 21 magazines in the study were *Cosmopolitan, Better Homes and Gardens, Good Housekeeping, Family Circle, Ladies' Home Journal, Prevention, Reader's Digest, TV Guide, Self, Woman's Day, Modern Maturity, Glamour, McCall's, Newsweek, People, New Woman, Redbook, Seventeen, Time, Vogue* and *Southern Living*.

Food ads were categorized according to the type of claim(s) made. The seven claim categories used were health, nutrition, taste/flavor, quality, value, weight control and a miscellaneous/other category. Health and nutrition claims were specifically given two classifications — "general" and "specific." (See chart).



A "health-general" claim is where a health outcome was suggested as a possible result from use of the product group or from a nutrient in that product group. However, no specific disease, condition or malady is mentioned in the ad. Also included in this category would be recommendations from health organizations such as the American Heart Association where the reference is just "Recommended by," without a reason. "Health-specific" claims are similar to health-general except that the health outcome is specifically mentioned in the advertising.

The same structure was used in the nutrition category to distinguish between general and specific claims. Advertising claims that refer to the body's nutrient content without being specific, e.g., "all the nutrition your body needs," were classified as "nutrition-general." Also, ads where most nutrients are mentioned, such as meeting 100% of all the RDA's, were classified as nutrition-general. "Nutrition-specific" claims would include ads where specific nutrients or minerals such as sodium or calcium were mentioned. One additional point is that ads that mentioned the calorie content were classified as "weight control" and not nutrition-specific. The other claims are self-evident.

In summary, food manufacturers do not appear to have jumped on the bandwagon of making health claims. Health and nutrition claims are among the smallest claim categories. The use of health claims is the lowest of any claim category — health-general, 1.54%, and health-specific, 1.46% of all claims made. Nutrition-general was 1.57% and nutrition-specific was the largest of the four at 9.62% of the claims. Taste/flavor appeals dominate *all* categories, covering 55.2% of all the claims made.

Is the food industry reluctant to make health claims because they feel that other claims such as taste are more persuasive? Do they feel more scientific substantiation is needed first? Are they waiting for a response from the government agencies such as the FDA? Regardless, the food industry has demonstrated a "wait-and-see" attitude and is waiting for a responsible reply from the government agencies.

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